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December 20, 2011

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
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From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE

This memorandum is to update your Board on the status of Congressional action on legislation which Congress has wanted to be cleared for the President's signature by the end of the year. Such legislation includes completing Federal Fiscal Year (FFY) 2012 appropriations for all Federal programs and activities, and extending certain tax provisions, such as the Social Security payroll tax cut, and programs, such as the Temporary Assistance for Needy Families (TANF) Program, which otherwise, would end on December 31, 2011.

FFY 2012 Appropriations

None of the 12 individual FFY 2012 appropriations bills had been enacted by the start of FFY 2012 on October 1, 2011. As reported previously, Congress, therefore, enacted Continuing Resolutions to temporarily extend funding for Federal programs and activities, and on November 18, 2011, H.R. 2112 was enacted, which provided full-year FFY 2012 appropriations for Agriculture, Commerce-Justice-Science, and Transportation-Housing and Urban Development Programs and temporarily funded all remaining Federal programs through December 16, 2011.

On December 17, 2011, Congress cleared H.J. Res. 95, which temporarily funds Federal programs through December 23, 2011, and also cleared H.R. 2055, an omnibus appropriations bill which funds all remaining Federal programs through the end of FFY 2012. The President signed H.J. Res. 95 into law on December 17, 2011, and also is expected to sign H.R. 2055 into law. Besides appropriating FFY 2012 funds, H.R. 2055 also extends the National Flood Insurance Program (NFIP) through May 31, 2012. Congress has temporarily extended the NFIP more than a dozen times beyond its original sunset date of September 30, 2008.

H.R. 2055 consolidates appropriations for 9 of the 12 FFY 2012 appropriations bills, including the Labor-Health and Human Services (HHS)-Education, Energy-Water, and Homeland Security appropriations bills, which fund programs of County interest. The bill increases overall discretionary funding for Energy-Water programs in FFY 2012 by 0.9 percent while it reduces overall discretionary funding for Homeland Security programs by 4.9 percent and Labor-HHS-Education programs by 0.7 percent. To offset the cost of an $8.6 billion disaster relief bill (H.R. 3672), which also was cleared for the President's signature on December 17, 2011, the House passed H.Con. Res. 94, which would have applied an across-the-board reduction of 1.83 percent to discretionary programs funded in H.R. 2055. The Senate, however, rejected this resolution which would have imposed the 1.83 percent across-the-board cut.

Under the FFY 2012 omnibus appropriations bill, the Army Corps of Engineers (Corps) will receive slightly more overall funding than in FFY 2011. The bill also includes funding at levels close to those requested by the President for several Corps projects of County interest, including:

- Marina del Rey Dredging ($3,107,000);
- Los Angeles County Drainage Area Operations and Maintenance ($4,983,000);
- California Coastal Sediment Master Plan ($861,000); and
- Los Angeles County Regional Dredged Material Management Plan ($77,000).

H.R. 2055 funds all Labor-HHS programs through which the County receives funding, including Workforce Investment Act (WIA), Older Americans Act, public health, social services, and mental health programs, at or near their FFY 2011 funding levels except for the following programs:

- Mental Health Block Grant funding is increased by 10 percent to $439 million;
- Refugee and Entrant Assistance funding is increased by slightly over 5 percent to $768 million;
- Hospital Preparedness Formula Grant funding is reduced by nearly 7 percent to $352 million; and

- Dislocated Worker funding is reduced by slightly over 5 percent to approximately $1 billion.

Similar to FFY 2011, the bill also includes language which reduces the percentage of each state's FFY 2012 WIA Adult, Youth, and Dislocated Worker allocation, which a state can withhold for statewide activities rather than for pass-through to local workforce investment boards (WIBs) from 15 percent, as required by WIA, to 5 percent. This language, in effect, protects local WIBs from a 10 percent reduction in their WIA allocations.

The bill includes major reductions in Federal Emergency Management Agency (FEMA) grants to state and local governments. Most notably, under the FEMA State and Local Program account, which provides funding for the State Homeland Security Grant Program (SHSGP), Urban Area Security Initiative (UASI), Public Transportation Security Assistance, and Port Security Grants, overall funding is reduced by 39 percent from $2.21 billion in FFY 2011 to only $1.35 billion in FFY 2012. Even worse, the bill also provides that 6.8 percent ($91.8 million) of total funding in the State and Local Program shall be used by FEMA for its program administration, leaving even less funding for allocation to state and local governments. H.R. 2055 does not specify funding levels for the individual programs in this account. Instead, it authorizes the Secretary of Homeland Security to decide how much funds would be allocated to each program. Given the magnitude of the reduction in overall funding, the Los Angeles County urban area is certain to receive significantly less UASI and SHSHP funding in FFY 2012.

The bill also reduces Firefighter Assistance Grants from $808 million in FFY 2011 to $675 million in FFY 2012 and Pre-disaster Mitigation Grant funding from $49.9 million to $35.5 million in FFY 2012. On a more positive note, Emergency Management Performance Grant funding is increased from $339.3 million to $350.0 million. In addition, the bill includes language providing that the installation of communications towers is not considered construction of a building or other physical facility under the SHSGP and UASI Programs. Without this language, SHSGP and UASI funds cannot be used for the construction of communications towers.

Major Extension Legislation

Both houses of Congress have been unable to reach agreement on major legislation (H.R. 3630) to extend provisions in current law, such as the Social Security payroll tax reduction, extended Unemployment Insurance (UI) benefits, and the TANF Program, which otherwise would expire on December 31, 2011, and to postpone a major reduction in Medicare physician payments which otherwise would take effect on that same date. On December 13, 2011, the House passed a version of H.R. 3630, which would extend the payroll tax reduction and extended UI benefits for one year, postpone

Medicare physician payment cuts for two years, and extend TANF through September 30, 2012. As estimated by the Congressional Budget Office, the two-year delay in implementing the Medicare physician payment cuts would cost nearly $39 billion over ten years. To help offset those increased costs, the House bill would significantly reduce annual funding for the Prevention and Public Health (PPH) Fund to $640 million beginning in FFY 2013, and permanently extend the reduction in annual Medicaid Disproportionate Share Hospital (DSH) allotments to states beyond FFY 2020, which was enacted under last year's health care reform law. H.R. 3630, as passed by the House, also includes spectrum provisions which would allocate the D-Block spectrum for public safety uses, raise Federal revenue by auctioning spectrum, and use the increased revenue to reduce the Federal budget deficit and help finance improvements in public safety interoperable communications.

H.R. 3630, as passed by the House, however, is unacceptable to Senate Democrats and the President. On December 17, 2011, the Senate passed a bipartisan substitute version of H.R. 3630, which would extend the payroll tax cuts, UI benefits, and the TANF Program, and which would postpone the Medicare physician payment cuts for two months. The shorter time extension was intended to provide more time to reach agreement on the revenue increases and spending cuts which would be needed to finance the bill's extensions for a longer time period. The Senate version also did not include the House version's spectrum language, which differs from S. 911, the Senate spectrum bill, which was approved by the Senate Commerce, Science, and Transportation Committee in June 2011.

On December 20, 2011, the House, in turn, rejected the Senate version of H.R. 3630, and requested a conference committee with Senate to resolve differences between the House and Senate versions. To date, Senate Majority Leader Reid has indicated that he will not convene such a conference committee. Without an extension, TANF, which provides California with over $3.6 billion a year, will expire on December 31, 2011. As an alternative to extending TANF through H.R. 3630, there is another TANF extension bill (H.R. 3659), which passed the House on December 15, 2011, and which is pending Senate action. The Senate could clear H.R. 3659, which would extend TANF through September 30, 2012, for the President's signature before the end of the year by passing the bill on unanimous consent.

We will continue to keep you advised.

WTF:RA
MR:MT:sb

c: All Department Heads
Legislative Strategist